

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Village of Sikes
Sikes, Louisiana

April 21, 1999



Investigative Audit

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

**Representative Francis C. Thompson,
Acting Chairman and Vice Chairman**

**Senator Robert J. Barham
Senator Wilson E. Fields
Senator Thomas A. Greene
Senator Craig F. Romero
Representative F. Charles McMains, Jr.
Representative Edwin R. Murray
Representative Warren J. Triche, Jr.**

LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

DIRECTOR OF INVESTIGATIVE AUDIT

Allen F. Brown, CPA, CFE

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Forty copies of this public document were produced at an approximate cost of \$78.40. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. An executive summary of this document is available on the Legislative Auditor's Web site at www.la.state.la.us.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 504/339-3800.

Village of Sikes

April 21, 1999



**Investigative Audit
Office of the Legislative Auditor
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor**

Table of Contents

Legislative Auditor's Transmittal Letter	v
Executive Summary	vii
Background and Methodology.....	ix
	Page
Findings and Recommendations:	
Chief of Police Received Retirement Credits to Which He Was Not Entitled.....	1
The Village Did Not Timely Deposit Fine Receipts and Did Not Reasonably Pursue Collection of Unpaid Fines.....	2
The Village Failed to Report Six Bank Accounts on Its Sworn Financial Statements.....	3
The Village Failed to Report Earnings and Withhold Taxes.....	4
Attachment I.....	Management's Response
Attachment II	Legal Provisions



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

April 21, 1999

**HONORABLE KENNETH WOMACK, MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
VILLAGE OF SIKES**
Sikes, Louisiana

Transmitted herewith is our investigative report on the Village of Sikes. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our findings and recommendations as well as management's response. Copies of this report have been delivered to the Municipal Police Employees' Retirement System; the Louisiana Department of Revenue; the Internal Revenue Service; the Honorable Terry R. Reeves, District Attorney for the Eighth Judicial District of Louisiana; and others as required by state law.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Daniel G. Kyle", is written over a horizontal line.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

SDP:EKL:AFB:dl

[SIKES]

Executive Summary

Investigative Audit Report Village of Sikes

The following summarizes the findings and recommendations as well as management's response resulting from this investigation. Detailed information relating to the findings and recommendations may be found at the page number indicated. Management's complete response may be found at Attachment I.

Chief of Police Received Retirement Credits to Which He Was Not Entitled

(Page 1)

- Finding:** From April 1995 through December 1998, the Village of Sikes (Village) falsely reported to the Municipal Police Employees' Retirement System (Retirement System) that Mr. Cranford Jordan, the Chief of Police for the Village, earned a salary ranging from \$100 per month to \$3,700 per month in order to qualify Mr. Jordan for retirement credit, when he actually received no salary.
- Recommendation:** We recommend that the Municipal Police Employees' Retirement System examine Mr. Jordan's retirement account and make appropriate adjustments. We also recommend that the District Attorney for the Eighth Judicial District of Louisiana review this information and take appropriate action.
- Management's Response:** Management agrees that Mr. Jordan's \$3,700 salary was not approved by the council. Furthermore, the Village has requested a refund of \$8,316 from the Retirement System for retirement contributions paid on the falsely reported salary.
-

The Village Did Not Timely Deposit Fine Receipts and Did Not Reasonably Pursue Collection of Unpaid Fines

(Page 2)

- Finding:** For calendar years 1996, 1997, and 1998, the Village of Sikes issued \$11,025 in traffic tickets, but failed to collect \$3,467 (31%) of that amount. Of the tickets collected, \$460 (4%) was never deposited, and \$2,430 (26%) was not deposited for more than six months after the funds were collected.

Recommendation: We recommend that the Village of Sikes establish procedures to ensure that all tickets are accounted for, deposits of fines are made in a timely manner, and reasonable efforts are made to collect fines.

Management's Response: Management states that the Village is now pursuing collection of the unpaid tickets and is tracking all newly issued tickets and the payments received on those tickets.

The Village Failed to Report Six Bank Accounts on Its Sworn Financial Statements

(Page 3)

Finding: The Village of Sikes failed to report six bank accounts totaling \$32,626 on its annual sworn financial statements, which are required to be filed with the Legislative Auditor. In addition, the Village's financial statements were filed more than 30 days late.

Recommendation: We recommend that the Village of Sikes file the required reports with the Legislative Auditor in a complete and timely manner. We also recommend that the sworn financial statement submitted for the year ended June 30, 1998, be amended to accurately reflect the Village's financial position.

Management's Response: Management for the Village was not aware of the unreported accounts and will amend its report to include all accounts.

The Village Failed to Report Earnings and Withhold Taxes

(Page 4)

Finding: The Village of Sikes did not report employees' earnings nor withhold taxes as required by law.

Recommendation: We recommend that the Village of Sikes comply with federal and state laws. We also recommend that the Village contact the Louisiana Department of Revenue and the Internal Revenue Service to determine the appropriate method to address this issue.

Management's Response: Management states that the Village is now withholding from the Mayor's and Police Chief's earnings and intends to prepare W-2 forms for them.

Background and Methodology

The Village of Sikes was incorporated in 1946 under the Lawrason Act. The Village provides services including police protection, fire protection, street maintenance, sanitation, utilities, and general administrative services.

The Legislative Auditor received information alleging improprieties involving the Village of Sikes.

Our procedures consisted of (1) interviewing employees and officials of the Village; (2) interviewing other persons as appropriate; (3) examining selected documents and records of the Village; (4) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and (5) reviewing applicable Louisiana laws.

The result of our investigative audit is the findings and recommendations herein.

Findings and Recommendations

CHIEF OF POLICE RECEIVED RETIREMENT CREDITS TO WHICH HE WAS NOT ENTITLED

From April 1995 through December 1998, the Village of Sikes (Village) falsely reported to the Municipal Police Employees' Retirement System (Retirement System) that Mr. Cranford Jordan, the Chief of Police for the Village, earned a salary ranging from \$100 per month to \$3,700 per month in order to qualify Mr. Jordan for retirement credit, when he actually received no salary.

Mr. Jordan began working as a police officer in April 1995, even though the Village of Sikes did not have the funds to pay his salary. Despite the fact that Mr. Jordan was not actually receiving a salary, the Village of Sikes reported Mr. Jordan's salary as \$375 per month to the Retirement System. The Village paid both the employee's and employer's contribution for a total of \$62 each month.

Mr. Jordan assumed the office of Chief of Police in January 1997. Mr. Jordan's salary was set at \$100 per month, but he did not actually receive any money. Again, the Village contributed both the employee's and employer's share of \$16.50 each month to the Retirement System. In January 1998, after completing one year in office, Mr. Jordan started receiving law enforcement officer supplemental pay from the state of \$300 per month. In January 1998, Mayor Kenneth Womack raised Mr. Jordan's monthly salary to \$3,700 per month. Mayor Womack stated that he agreed to set Mr. Jordan's salary at \$3,700 per month, because Mr. Jordan agreed to donate his salary back to the Village. A review of the Village's banking records reveals that no salary payments were made to Mr. Jordan. Furthermore, a review of village minutes revealed no approval of the salaries described above. Finally, the Village aldermen informed us that they were not aware of Mr. Jordan's salary and retirement arrangements.

Mr. Jordan stated that the \$3,700 amount was based on the \$2,700 monthly salary he was paid when he was Chief of Police for the City of Winnfield. In addition, he valued the use of his personal vehicle and equipment for the police work done for the Village at \$1,000 per month. However, no paychecks for \$3,700 were ever written. The Mayor agreed that the Village would pay both the employee's and employer's share of Mr. Jordan's retirement contributions to the Retirement System. The Village reported to the Retirement System that Mr. Jordan's total compensation was \$4,000 per month, comprised of \$3,700 in salary and \$300 in supplemental pay. During 1998, the Village paid \$660 per month (employee's and employer's share) or a total of \$7,920 to the Retirement System on Mr. Jordan's behalf. The Village did not issue a W-2 to Mr. Jordan.

According to Mayor Womack, there was an informal agreement between him and Mr. Jordan that the contributions to the Retirement System on behalf of Mr. Jordan would not cost the Village anything since contributions would be offset by ticket revenue and other contributions to the Village.

According to Mr. Jordan, there was no ticket quota set nor was any specific amount of ticket revenue promised. Mr. Jordan stated that in 1998 Mr. Jessie Bennett contributed \$7,000 to the Village to help defray the cost of Mr. Jordan's retirement benefit. Mr. Bennett confirmed Mr. Jordan's statement. An examination of the Village's banking records indicated that \$7,000 was deposited into the Village's bank account in August 1998.

Mr. Jordan stated that he showed Ms. Julia Newsom, former town clerk, how to fill out the form that reported his earnings to the Retirement System, and further that he may have filled out some of the forms himself.

The Retirement System bases a member's retirement pay on the highest consecutive three years of service credit. By falsely reporting income to the Retirement System, Mr. Jordan's retirement income may have been substantially increased. After we informed management for the Village of this finding, the town reported to the Retirement System that Mr. Jordan's actual salary was \$100 per month plus his \$300 per month supplemental pay for the period January 1, 1998, through February 1999. We examined the Village's bank records from July 1, 1996, through December 31, 1998, and could find no payments to Mr. Jordan for \$100 or any other amount. Therefore, Mr. Jordan's actual earnings for that period were only his \$300 per month supplemental pay.

Mr. Jordan's actions indicate possible violations of the following Louisiana laws:

- R.S. 11:2231, "Protection Against Fraud"
- R.S. 14:133, "Filing or Maintaining False Public Records"
- R.S. 14:134, "Malfeasance in Office"

We recommend that the Municipal Police Employees' Retirement System examine Mr. Jordan's retirement account and make appropriate adjustments. We also recommend that the District Attorney for the Eighth Judicial District of Louisiana review this information and take appropriate action.

THE VILLAGE DID NOT TIMELY DEPOSIT FINE RECEIPTS AND DID NOT REASONABLY PURSUE COLLECTION OF UNPAID FINES

For calendar years 1996, 1997, and 1998, the Village of Sikes issued \$11,025 in traffic tickets, but failed to collect \$3,467 (31%) of that amount. Of the tickets collected, \$460 (4%) was never deposited, and \$2,430 (26%) was not deposited for more than six months after the funds were collected.

During 1996, tickets totaling \$5,215 were issued; however, \$1,885, or 36% of all fines levied was never collected. Furthermore, during 1996, \$820 was collected but not deposited for more than six months. Finally records indicate that fines from two tickets totaling \$155 were recorded as paid, but were not deposited.

During 1997, tickets totaling \$3,380 were issued; however, \$840, or 24%, was never collected. In addition, during 1997, \$1,610 was collected but not deposited for more than six months after the funds were collected. Finally, records indicate that \$230 (3 tickets) was collected but never deposited.

In 1998, tickets totaling \$2,430 were issued, but \$742, or 30%, was never collected. One ticket amounting to \$75 was recorded as paid in cash but not deposited.

Ms. Julia Newsom, town clerk from January 1996 through July 1998, said that she does not remember why some payments were not deposited for such long periods. She said that some of the delay was due to family illnesses which required her to be absent from Sikes. Ms. Newsom could not explain why payments of \$155, \$230, and \$75 for the years 1996, 1997, and 1998 were received but not deposited into the Village's bank account.

Since August 1998, deposits appear to have been made in a timely manner and no additional funds appear to be missing. However, \$3,467 remains outstanding from ticket fines over the past three years.

We recommend that the Village of Sikes establish procedures to ensure that all tickets are accounted for, deposits of fines are made in a timely manner, and reasonable efforts are made to collect fines.

THE VILLAGE FAILED TO REPORT SIX BANK ACCOUNTS ON ITS SWORN FINANCIAL STATEMENTS

The Village of Sikes failed to report six bank accounts totaling \$32,626 on its annual sworn financial statements, which are required to be filed with the Legislative Auditor. In addition, the Village's financial statements were filed more than 30 days late.

Under R.S. 24:514, the Village is required to file annual sworn financial statements with the Legislative Auditor within 90 days after the close of the fiscal year. The sworn financial statements for the year ended June 30, 1998, which were filed more than 30 days late, only reported one Village bank account. The report failed to report six other Village bank accounts as follows:

<u>Name of Account</u>	<u>Balance at June 30, 1998</u>
Water System	\$4,426
Sewer System	11,833
Water System Reserve	3,350
Water System Depreciation	5,194
Water System Sinking	5,725
Water System Deposits	2,098
Total	<u>\$32,626</u>

We recommend that the Village of Sikes file the required reports with the Legislative Auditor in a complete and timely manner. We also recommend that the sworn financial statement submitted for the year ended June 30, 1998, be amended to accurately reflect the Village's financial position.

THE VILLAGE FAILED TO REPORT EARNINGS AND WITHHOLD TAXES

The Village of Sikes did not report employees' earnings nor withhold taxes as required by law.

Mayor Kenneth Womack was paid \$100 per month from January 1990 until June 1998 when his pay was raised to \$200 per month. According to Ms. Julia Newsom, former town clerk, and Ms. Agnes Bartley, the present town clerk, the Village has not withheld from the mayor's monthly check nor reported his annual earnings on a W-2. According to Ms. Bartley, the mayor told her that as an elected official his pay was not subject to withholding nor should he receive a W-2 reporting his earnings.

The Village reported earnings for Chief of Police Cranford Jordan from May 1995 through December 1998 to the Municipal Police Employees' Retirement System. However, the Village never issued a W-2 to Mr. Jordan even though the Village paid the employee's share of Mr. Jordan's retirement contribution. In addition, the Village failed to withhold federal and state taxes from Mr. Jordan's supplemental pay, though such withholdings are required by law.

These actions indicate that the Village of Sikes may have violated one or more of the following federal and state laws:

- R.S. 33:2218.4, "Reporting Supplemental Pay"
- 26 USCA § 3102, "Deduction of Tax from Wages"
- 26 USCA § 3402, "Income Tax Collected at Source"
- 26 USCA § 6051, "Issuing W-2's"

We recommend that the Village of Sikes comply with federal and state laws. We also recommend that the Village contact the Louisiana Department of Revenue and the Internal Revenue Service to determine the appropriate method to address this issue.

Attachment I

Management's Response

VILLAGE OF SIKES

Phone
318-628-2634



P. O. Box 116
Sikes, LA 71473-0116

March 31, 1999

Mr. Daniel G. Kyle
Office of the Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Kyle:

Attached hereto are the Management's responses to your recent investigation of the Village of Sikes:

1) IN RE: CHIEF OF POLICE NOT ENTITLED TO RETIREMENT CREDITS:

When Mr. Jordan began work as an officer for the Village of Sikes he was issued a check each month and he donated it to the Village. We did have the funds to pay his salary. We discontinued issuing the checks when we were informed that he did not have to accept the check and we felt it would save paperwork and checks.

Concerning his raise in 1998, we agree it was not properly approved by the council. We have filed a letter with the Retirement Board concerning this period of time, copy of which is attached. They informed us that they would make the necessary changes upon receipt of the letter. We have asked for a refund to the Village of Sikes for \$8,316.00 which is the amount of overpayment to the board.

Mr. Jordan's retirement income would not be substantially increased by this time period because it was not in effect for 36 consecutive months. He had told us in 1998 that he planned to retire in May, 1999.

Mr. Levy agreed in our exit interview he did not question that Mr. Jordan had performed his duties for the Village of Sikes. During the time he has been employed he has written over \$11,000.00 worth of citations and has made more DWI arrests in the history of the Sikes Police Department. Mr. Jordan has provided the needed law enforcement for the village and the village has benefited from his work. He has given us the best law enforcement that we have had in many years. We feel that he has earned his salary and the village is indebted to him for his work.

We have begun deducting applicable income taxes from Mr. Jordan's supplemental pay and also his salary from the Village of Sikes, retroactive to Januray 1, 1999.

VILLAGE OF SIKES

Phone
318-628-2634



P. O. Box 116
Sikes, LA 71473-0116

Mr. Daniel G. Kyle
March 31, 1999
Page 2

2) COLLECTION OF UNPAID FINES:

Due to the negligence of the former Town Clerk, we were unaware that these tickets had not been collected, and some of the funds deposited. There was another clerk employed in August, 1998, and since then there have been no such problems.

We are now actively pursuing collection of the unpaid tickets, and maintain a journal of all tickets issued, and records of the payment of same. The town council and mayor are aware of all unpaid tickets.

Since we are aware of the problem, having been made aware of it by the auditors, there should be no further problems.

3) FAILURE TO REPORT 6 BANK ACCOUNTS IN SWORN FINANCIAL STATEMENT:

This oversight was due to the negligence of the former clerk. We were unaware that these accounts had not been included in the report. We have contacted Mr. Levy's office and requested a copy of the report which was filed for the year ending 6/30/98 and also blank forms for that period. As soon as this is received, it will be properly amended and returned to your office. All future reports will also be filed correctly and in a timely manner.

4) FAILURE TO REPORT EARNINGS & WITHHOLD TAXES:

We have begun deducting applicable taxes from the Mayor and Chief's salary, retroactive to January 1, 1999, and will issue W-2's for these amounts.

Since having been made aware that this is required, there will be no further problem in this area.

VILLAGE OF SIKES

Phone
318-628-2634



P. O. Box 116
Sikes, LA 71473-0116

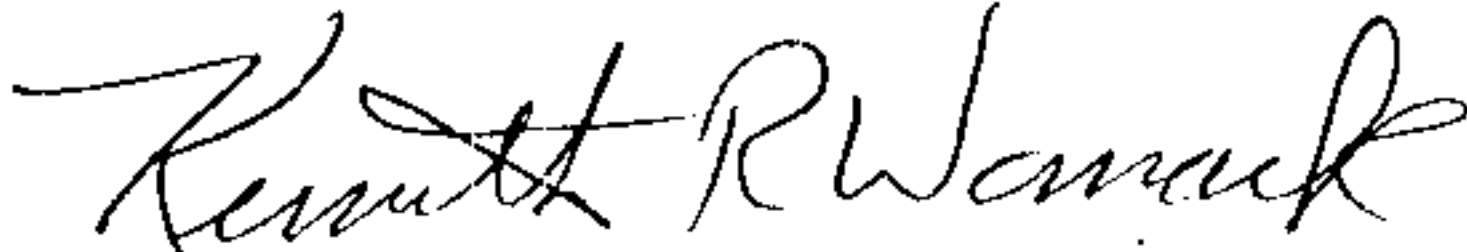
Mr. Daniel G. Kyle
March 31, 1999
Page 3

We appreciate the courtesies that your auditors Mr. Levy and Mr. Parker have given us, and sincerely hope this matter will be cleared up very soon.

If additional information is required, please advise.

Sincerely,

VILLAGE OF SIKES

A handwritten signature in cursive script, reading "Kenneth R. Womack".

Kenneth R. Womack,
Mayor

KRW/ab

Attachment

VILLAGE OF SIKES

Phone
318-628-2634



P. O. Box 116
Sikes, LA 71473-0116

March 31, 1999

Municipal Police Employee's Retirement System
PO Box 94095
Baton Rouge, LA 70804-9095

Attention: Daphne

Gentlemen:

We have been informed by the Legislative Auditor's office that Cranford Jordan's salary increase was not approved by the town council, therefore we would like to amend our contributions for Mr. Jordan from January 1, 1998 through February 28, 1999.

According to our computation based on his salary of \$100.00 per month from the Village of Sikes and \$300.00 per month state supplemental pay, we estimate the correct amount that should have been credited to his account would be \$924.00. Our calculations show \$400.00 per month for 14 months at 16,50% contributions.

Our records show that we contributed \$9,240.00 based on 14 months at \$3,700.00 per month salary by the Village of Sikes and \$300.00 per month state supplemental pay, which is an overpayment of \$8,316.00, for which we request a refund to the Village of Sikes.

We appreciate your prompt attention in this matter.

Sincerely,

VILLAGE OF SIKES



Kenneth R. Womack,
Mayor

KRW/ab

cc: Office of the Legislative Auditor

Attachment II

Legal Provisions

Legal Provisions

The following legal citations are referred to in the Findings and Recommendations section of this report:

R.S. 11:2231 provides, in part, that any person who shall knowingly make any false statement or shall falsify or permit to be falsified any record or records of this retirement system in any attempt to defraud such system as a result of such act shall be guilty of a misdemeanor.

R.S. 14:133 provides, in part, that filing false public documents is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, any document containing a false statement or false representation of a material fact.

R.S. 14:134 provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

R.S. 33:2218.4 provides, in part, that who is charged with the responsibility of preparing the payrolls for such police officers (those receiving supplemental pay) shall include the additional compensation paid by the state (supplemental pay) in the calculation and deduction from the pay of such officers the sums required by state or federal law to be withheld by an employer.

26 USCA § 3102 provides that employers shall deduct taxes from wages at the time the wages are paid.

26 USCA § 3402 provides that employers are responsible for withholding taxes from employee wages.

26 USCA § 6051 provides that employers report employee earnings by January 31 of the succeeding year.

